

## Message Text

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ACTION EUR-08

INFO OCT-01 SS-14 ISO-00 EB-03 L-01 NEA-06 NSC-05 NSCE-00

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R 311855Z OCT 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC 6024

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMEMBASSY TEHRAN

C O N F I D E N T I A L BONN 17165

LIMDIS

E.O. 11652: GDS

TAGS: ENRG, ETRD, GW, IR, EEC

SUBJECT: GERMAN/IRANIAN REFINERY PROJECT

REF: BONN 27049

1. EMBOFF DISCUSSED THE US OBJECTIONS TO THE PROPOSED  
DUTY REDUCTION FOR PETROLEUM PRODUCTS FROM IRAN AND  
THE POSSIBLE EC/IRANIAN PREFERENTIAL AGREEMENT WITH  
ECONOMICS MINISTRY ENERGY DIRECTOR KITTEL.

KITTEL STATED THAT THE BASIC RATIONALE FOR THE GERMAN/  
IRANIAN REFINERY PROJECT WAS TO REDUCE GERMAN  
VULNERABILITY TO A SUDDEN REDUCTION IN PETROLEUM  
SUPPLIES HE ARGUED THAT

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SINCE THE IRANIANS WILL HAVE A SUBSTANTIAL INTEREST

IN THE JOINT REFINERY PROJECT THEY WILL BE LESS  
INCLINED TO CUT OFF THE FLOW OF PRODUCTS TO THE FRG  
THAN THEY WOULD BE TO CUT OFF THE FLOW OF CRUDE OIL.

2. EMBOFF ARGUED THAT RELIANCE ON PRODUCT IMPORTS  
MADE THE FRG MORE NOT LESS VULNERABLE TO SUPPLY  
INTERRUPTIONS SINCE THE WORLDWIDE PRODUCT MARKET HAD  
NEITHER THE BREADTH, DEPTH OR RESILIENCY OF THE  
CRUDE OIL MARKET. IN ADDITION HE REITERATED OUR VIEW  
THAT UNILATERAL TARIFF REDUCTIONS ON PETROLEUM  
PRODUCTS WOULD NOT BE IN THE INTEREST OF CONSUMING  
COUNTRIES AT THIS TIME. KITTEL RESPONDED THAT THE  
TOTAL SHARE OF THE GERMAN MARKET WHICH WOULD BE  
SUPPLIED FROM THIS REFINERY IS VERY SMALL. HE ARGUED  
THAT THE CURRENT DUTY ON LIGHT HEATING OIL WHICH IS  
THE MOST IMPORTANT PRODUCT TO BE PRODUCED BY THE  
REFINERY IS ONLY 3.5 PERCENT AND THAT THE EFFECT  
OF ITS ELIMINATION ON PRODUCER/CONSUMER RELATIONS  
WOULD BE SMALL.

3. IN RESPONSE TO EMBOFF'S QUESTION KITTEL ADMITTED  
THAT THE DUTY REDUCTION WAS PROBABLY NOT ESSENTIAL  
TO THE SUCCESS OF THE VENTURE (ALL OUR OTHER SOURCES  
HAVE INSISTED TO THE CONTRARY). HE SAID THE PROJECT  
MAY FAIL FOR A NUMBER OF REASONS HOWEVER, AND THE  
FRG COULD NOT AFFORD TO BE IN THE POSITION OF HAVING  
EITHER THE COMPANIES OR THE IRANIANS ACCUSE IT OF  
BEING RESPONSIBLE FOR THE PROJECT'S FAILURE DUE TO  
ITS INABILITY TO OBTAIN A SMALL TARIFF CONCESSION FROM  
ITS COMMUNITY PARTNERS.

4. KITTEL EMPHASIZED THAT THE TARIFF CONCESSIONS  
WILL BE COMPATIBLE WITH THE FRG'S GATT OBLIGATIONS.  
HILLENBRAND

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## Message Attributes

**Automatic Decaptioning:** Z  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PETROLEUM PRODUCTS, SUPPLIES, PROGRAMS (PROJECTS), REFINERIES, TARIFFS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 31 OCT 1974  
**Decaption Date:** 28 MAY 2004  
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**Disposition Approved on Date:**  
**Disposition Authority:** golinofr  
**Disposition Case Number:** n/a  
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**TAGS:** ENRG, ETRD, GE, IR, EEC  
**To:** STATE  
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